

Message Text

CONFIDENTIAL

PAGE 01 DAMASC 04720 01 OF 02 191535Z

41

ACTION EB-07

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R 191440Z JUL 76

FM AMEMBASSY DAMASCUS
TO SECSTATE WASHDC 8714

CONFIDENTIAL SECTION 1 OF 2 DAMASCUS 4720

FROM AMBASSADOR FOR EXIM PRESIDENT DUBRUL,
ASST. SEC. ATHERTON, AND ASST. SEC. GREENWALD

E.O. 11652: GDS

TAGS: EFIN, ECON, PFOR, SY, US

SUBJECT: SYRIAN DESIRE FOR EXIMBANK FACILITIES

REF: STATE 173161

1. SUMMARY: I BELIEVE THAT EXIM POSTPONEMENT OF CONSIDERATION OF RE-ESTABLISHMENT OF MINIMAL PROGRAMS OF INSURANCE AND GUARANTEES FOR SYRIA "UNTIL SOME LATER DATE" IS DETRIMENTAL TO OUR ECONOMIC/COMMERCIAL EFFORTS HERE AND OUT OF STEP WITH OTHER USG ECONOMIC PROGRAMS RE-ESTABLISHED IN SYRIA OVER PAST TWO YEARS. IT UNDERCUTS OUR EFFORTS TO MODERATE VIEWS OF SYRIAN LEADERS AND MAKE THEM MORE AMENABLE TO OVERALL ME PEACE SETTLEMENT. RECOMMEND POSTPONEMENT BE RECONSIDERED AND DEPARTMENT APPROACH EXIM FOR THIS PURPOSE. EMBASSY SHOULD BE PROVIDED WITH BETTER GUIDANCE AS TO EXACTLY WHAT DATA EXIM NEEDS IN ORDER TO MAKE MORE REALISTIC APPRAISAL OF SYRIAN ECONOMY AND POTENTIAL FOR US EXPORTS IN THIS GROWING MARKET. END SUMMARY.

2. I AM DEEPLY DISAPPOINTED WITH NEGATIVE DECISION REPORTED REFTEL THAT EXIMBANK HAS POSTPONED CONSIDERATION OF RE-ESTABLISHING INSURANCE AND GUARANTEES PROGRAMS FOR SYRIA UNTIL "SOME LATER DATE". I SUBMIT THIS DECISION RUNS COUNTER TO US COMMERCIAL AND CONFIDENTIAL

CONFIDENTIAL

PAGE 02 DAMASC 04720 01 OF 02 191535Z

POLITICAL INTERESTS AND IS OUT OF STEP WITH ALL OTHER

USG ACTIVITIES VIS-A-VIS SYRIA SINCE RE-ESTABLISHMENT
OF RELATIONS OVER TWO YEARS AGO.

3. IN FIRST PLACE, THESE EXIM PROGRAMS WERE WITHDRAWN FOR SYRIA BY REMOVAL OF SYRIA FROM EXIM'S COUNTRY LIMITATION SCHEDULE UPON BREAK IN RELATIONS IN 1967; SIMILAR ACTION WAS TAKEN AFFECTING OTHER COUNTRIES BREAKING RELATIONS AT THAT TIME. IT IS OUR UNDERSTANDING FROM VISIT OF EXIM OFFICERS IN MARCH THAT WITH RE-ESTABLISHMENT OF RELATIONS WITH OTHER ARAB COUNTRIES, THESE PROGRAMS HAVE BEEN REINSTITUTED FOR THOSE COUNTRIES, E.G., FY 1975 AUTHORIZATIONS FOR ALGERIA, EGYPT, IRAQ (WITH WHICH WE DO NOT YET HAVE DIPLOMATIC RELATIONS), LIBYA, MAURITANIA, SUDAN, YEMAN ARAB REPUBLIC -- REF. EXIM 75 ANNUAL REPORT. BUT NOT SO FOR SYRIA, EVEN AFTER RENEWAL OF RELATIONS OVER TWO YEARS AGO. EXIM'S CURRENT POSTPONEMENT APPEARS TO HAVE MORE POLITICAL THAN ECONOMIC OVERTONES AND I WANT ANSWER TO QUESTION: IF EXIM CAN REINSTATE PROGRAMS FOR OTHER ARAB COUNTRIES, THEN WHY NOT SYRIA?

4. EXIM POINTS TO UNSETTLED CONDITIONS IN LEBANON AND UNCERTAINTIES AS TO EFFECTS ON SYRIAN ECONOMY OF SYRIAN INVOLVEMENT IN LEBANON.

A. THESE FACTORS HAVE NOT IN THE SLIGHTEST HINDERED OUR U.S. AID PROGRAM IN SYRIA, NOR OUR CONSIDERATION OF NEW AID PROGRAMS FOR SYRIA AT LEVELS CONSISTENT WITH OUR \$80 TO \$90 MILLION RANGE FOR FY 75 AND 76.

B. THESE FACTORS HAVE NOT AT ALL LESSENED OUR INTEREST, OR SYRIA'S, IN MEANINGFUL PL 480 PROGRAM IN SYRIA, NOW IN ITS SECOND SUCCESSFUL YEAR (AVERAGING ABOUT \$18 MILLION PER YEAR).

C.U.S. BUSINESS AND BANKING INTEREST IN SYRIA REMAINS HIGH; U.S. EXPORTS TO SYRIA QUINTUPLED IN 1975 OVER PREVIOUS YEARS' LEVELS (\$25 MILLION AVERAGE 1970-74, \$127 MILLION IN 1975); WE EXPECT THE 1976 LEVEL WILL BE DOUBLE THAT OF 1975. PRESTIGIOUS FIRMS SUCH AS BOEING,
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 DAMASC 04720 01 OF 02 191535Z

LOCKHEED, AMOCO (STANDARD OIL OF INDIANA), AND FORD MOTOR COMPANY, ALONG WITH A HOST OF OTHER EXCELLENT U.S. FIRMS, CONTINUE TO WORK AT THE SYRIAN MARKET, RETURNING TIME AND AGAIN TO SOLVE PARTICULAR PROBLEMS AND GAIN ENTRANCE AND THEREFORE TAKE ADVANTAGE OF THIS VERY RAPIDLY-GROWING MARKET. U.S. BUSINESSMEN AND TRADE MISSION MEMBERS CONTINUALLY MAKE POINT TO US THAT THEY NEED AND WANT EXIM ASSISTANCE IN ORDER TO GAIN MORE BUSINESS IN

SYRIA AND BE IN COMPETITIVE POSITION VIS-A/VIS EUROPEAN
AND JAPANESE FIRMS ALREADY BACKED BY THEIR GOVERNMENT
EXPORT CREDIT AGENCIES. OUR AID PROGRAM (PROJECT ASSISTANCE
AND COMMODITY IMPORT PROGRAMS) ARE INTRODUCING NEW AND WELL-
REGARDING AMERICAN FIRMS TO SYRIA; WHILE THEY HAVE ENTERED
(OR WILL ENTER) UNDER AID UMBRELLA,
THIS IS ONLY A FIRST STEP FOR FUTURE AND ALSO EVEN
CONCURRENT NORMAL COMMERCIAL BUSINESS. USDOC IS PROVIDING
EXCELLENT BACKSTOPPING AND FINANCIAL SUPPORT FOR U.S.
FIRMS IN DAMASCUS INTERNATIONAL FAIR WHERE USG IS
PARTICIPATING WITH U.S. FIRMS FOR THIRD CONSECUTIVE YEAR.

D. EXIMBANK ITSELF, EARLIER IN THE YEAR, WAS
FAVORABLY DISPOSED TO PROVIDING CREDITS ON A GOOD, \$19
MILLION POWER GENERATION PROJECT IN SYRIA -- A POSITIVELY
ATTITUDE TAKEN ON ECONOMIC GROUNDS WHICH ONLY SUBSEQUENTLY
WAS OVERTURNED BECAUSE OF BOYCOTT LANGUAGE PROBLEMS
(WHICH POSSIBLY COULD HAVE BEEN RESOLVED HAD EMBASSY
BEEN INSTRUCTED ON TIMELY BASIS TO APPROACH SARG AS WE
HAVE DONE ON OTHER OCCASIONS). THIS WAS DISCUSSED HERE
WITH EXIM OFFICIALS DURING THEIR WEEK'S VISIT IN MARATH
AND SUBSEQUENTLY AT MIDDLE EAST E/C OFFICERS' CONFERENCE
IN TUNIS.

E. ENTIRE ECONOMIC/COMMERCIAL APPROACH OF EMBASSY
OVER PAST TWO YEARS HAS BEEN TO ENCOURAGE AND BUILD
CLOSER U.S.-SYRIAN BILATERAL ECONOMIC RELATIONS. ON
COMMERCIAL AND AID SIDE, WE HAVE MOVED FORWARD QUICKLY
AND HAVE SUCCEEDED IN ESTABLISHING SOUND, POSITIVE
RELATIONSHIP IN RELATIVELY SHORT PERIOD OF TIME. THIS
EFFORT HAS LAID GROUNDWORK FOR POSITIVE RESPONSE FROM
SARG RE OPIC BILATERAL AND READINESS TO SING THIS NEW
ECONOMIC LINK WHENEVER WE ARE READY (DAMASCUS 4440).

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 DAMASC 04720 01 OF 02 191535Z

F. HIGH-LEVEL AMERICAN VISITORS SUCH AS SECRETARIES
BUTZ AND SIMON AND OMB DIRECTOR LYNN, AND NUMBEROUS
CODELS, HAVE ALL ENCOURAGED CLOSER ECONOMIC TIES
BETWEEN OUR TWO COUNTRIES, AND SYRIANS, IN RETURN, HAVE
REQUESTED MORE AID AND CREDIT FACILITIES.

G. ON POLITICAL SIDE, PRESIDENT ASAD APPEARS
IN CONTROL, DESPITE SOME OPPPOSITION FROM LOCAL PALESTINIANS
AND EXTREMIST MUSLIM GROUPS (DAMASCUS 1779) AND THERE IS
NO INDICATION HE INTENDS TO ALTER PRAGMATIC AND REALISTIC
ECONOMIC POLICIES WHICH HAVE LED SINCE 1971 TO INCREASED
WESTERN (INCLUDING AMERICAN) PARTICIPATION IN SYRIAN
ECONOMIC DEVELOPMENT.

5. OBSERVERS OF SYRIA SINCE 1963 HAVE BEEN STRUCK BY FACT THAT SYRIA, WITH ITS POLITICAL UPS AND DOWNS, HAS ALWAYS MAINTAINED A GOOD CREDIT RECORD. OUR EUROPEAN AND JAPENSE COMPETITORS HAVE CONTINUED TO EXTEND SIZEABLE AMOUNTS OF AID AND COMMERCIAL CREDITS TO SYRIA, TAKING ADVANTAGE OF THE NEEDS OF THIS RAPIDLY-DEVELOPING ECONOMY. MOST RECENT IMF AND IBRD REPORTS ON SYRIA CONTINUE TO BE OPTIMISTIC; IBRD HAS JUST EXTENDED TWO NEW LOANS TO SYRIA AND AID IS ABOUT TO SIGN \$63 MILLION IN TWO NEW PROJECT LOANS. AS PREVIOUSLY REPORTED, TWO THEMES BROACHED CONTINUOUSLY BY VISITING TRADE MISSIONS, IOGA'S, INDIVIDUAL BUSINESSMEN AND AMERICAN BANKERS IS NEED FOR AND STRONG DESIRE FOR EXIM AND OPIC PROGRAMS IN SYRIA.

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PAGE 01 DAMASC 04720 02 OF 02 191542Z

41

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FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 8715

C O N F I D E N T I A L SECTION 2 OF 2 DAMASCUS 4720

6. WE HAVE ALSO PREVIOUSLY REPORTED BUDGET CONSTRAINTS SINCE BEGINNING OF YEAR AS AID FROM ARAB SOURCES WAS NOT RENEWED, LEBANESE EFFORT WAS COSTING POSSIBLE AN AVERAGE OF \$1 MILION PER DAY AND SYRIAN ECONOMY COOLED DOWN FROM HIGH RATE OF ACTIVITY IN 1974 AND 75. AS HIGH-LEVEL MANAGERS OF SYRIA'S ECONOMY STRESSED TO OMB DIRECTOR LYNN DURING HIS MID-JUNE VISIT (DAMASCUS A-33), SYRIA HABITUALLY BUILDS "CUSHIONS" INTO ITS ANNUAL BUDGET AND THE FORTHCOMING 4TH FIVE-YEAR DEVELOPMENT PLAN. AS ARAB AID SLOWED DOWN IN THE PAST SIX MONTHS, BELT-TIGHTENING WAS UNDERTAKEN AND THE CUSHION WAS REDUCED. NOW THAT SAUDI ARABIA HAS REINSTITUTED

ASSISTANCE TO SYRIA IN WAKE OF JUNE 23 PRIME MINISTERS' MEETING IN RIYADH (DAMASCUS 4457) AND SYRIA CONTINUES TO EARN GOOD FOREIGN EXCHANGE FROM ITS OWN EXPORTS AND ALSO IS EXPERIENCING A GOOD YEAR IN AGRICULTURE. WE DO NOT BELIEVE LONG-RANGE ECONOMIC EFFECTS OF LEBANESE INVOLVEMENT ON SYRIAN ECONOMY WILL BE SERIOUS. MOREOVER, HIGH MILITARY COSTS OF SUCH INVOLVEMENT MAY ALREADY HAVE PEAKED; WE FORESEE POSSIBLY REDUCED COSTS FOR LEBANESE VENTURE IN COMING MONTHS. SYRIAN ECONOMY BIT OFF MORE THAN IT COULD CHEW IN 1974/75 AND 1976 IS A YEAR OF DIGESTION AND PROJECT IMPLEMENTATION, ALONG WITH MORE NORMAL STRONG GROWTH OF ECONOMY, DOWN FROM ABNORMALLY HIGH LEVELS IN 74/75.

7. ALL OF ABOVE LEADS US TO CONCLUSION THAT EXIM POSTPONEMENT OF REESTABLISHMENT OF MINIMAL PROGRAMS OF

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PAGE 02 DAMASC 04720 02 OF 02 191542Z

INSURANCE AND GUARANTEES (RETURNING SYRIA TO COUNTRY LIMITATION SCHEDULE) DEMONSTRATES A MUCH TOO CONSERVATIVE APPROACH UNWARRANTED BY THE FACTS, IS OUT OF STEP WITH OTHER USG ECONOMIC EFFORTS VIS-A-VIS SYRIA, IS DETRIMENTAL TO U.S. EXPORTS TO THIS GROWING MARKET AND GOES AGAINST EFFORTS OF THIS EMBASSY AND EXPRESSED DESIRES OF AMERICAN BANKERS AND BUSINESS FIRMS AND SYRIAN GOVERNMENT OFFICIALS. ON A BROADER LEVEL, IT UNDERCUTS U.S. POLITICAL EFFORTS TO ENCOURAGE SYRIAN POLITICAL MODERATION AND ECONOMIC LIBERALIZATION, STRENGTHENING BILATERAL RELATIONS AND MAKE SYRIAN LEADERSHIP MORE AMENABLE TO OVERALL PEACE STEELEMENT.

8. EMBASSY REQUESTS.

A. CONTINUED EFFORTS BY DEPARTMENT WITH EXIM MANAGEMENT, STRESSING MORE RATIONAL APPRAISAL OF THESE MINIMAL EXIM PROGRAMS FOR SYRIA SO AS TO ENGAGE EXIM IN ROLE SUPPORTIVE OF OTHER USG ECONOMIC PROGRAMS AND OVERALL U.S. INTERESTS IN SYRIA;

B. FULLER DISCUSSION OF EXIM REASONING THAN THAT CONTAINED IN SHORT REFTEL;

C. SPECIFIC ANSWER AS TO WHY SURIA CANNOT BE PUT BACK ON COUNTRY LIMITATION SCHEDULE UPON REESTABLISHMENT OF RELATIONS WHEN THIS WAS CASE FOR OTHER COUNTRIES IN AREA; (INCIDENTALLY, WHY IS SYRIA SHOWN FOR FY 75 INSURANCE AUTHORIZATION OF \$140,000 IN EXIM ANNUAL REPORT?);

D. ANY SPECIFIC EXIM ECONOMIC QUESTIONS THAT WE CAN POSE TO SARG SO AS TO PROVIDE BETTER INPUT TO EXIM

AND THEREFORE ASSIST EXIM IN MAKING SOUNDER APPRAISAL
OF SYRIAN ECONOMY AND REVERSE ITS NEGATIVE ATTITUDE
TOWARD THIS RAPIDLY GROWING MARKET.
URPHY

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